

## **Purchasing strategies**

**ISSUE:** A large proportion of beneficiaries are expected to remain in traditional fee-for-service Medicare for years to come. As pressures grow to contain Medicare spending growth, policymakers may want to consider purchasing strategies used by the private sector and other government purchasers to encourage greater efficiency in fee-for-service health care delivery.

**KEY POINTS:** To assess the range of strategies being used by the private sector and other government purchasers, staff have begun interviewing insurers, employers, purchasing cooperatives, and consultants. To date, we have identified strategies focused on

- controlling volume,
- increasing productivity, and
- improving mechanisms for determining prices for health care services.

These strategies can be directed at changing the behavior of providers, beneficiaries, or both, and range from education to direct financial incentives to limits on participation in Medicare based on meeting standards.

Among the findings that have emerged so far from the active community of purchasers and insurers we identified are:

- A strong interest among third party payers in using sophisticated profiling methods to identify efficient providers is evident. Payers use these profiles to educate providers as well as to create tiered and restricted networks, with financial incentives for providers and beneficiaries.
- A number of third party payers have found that feeding back performance assessments to providers improved their efficiency and quality of care.
- Medicare has, from the perspective of other insurers and payers, incredibly rich data that could be used to advance analysis of efficient and effective practice if legal and administrative resource issues could be resolved.

**ACTION:** The draft summary of interview findings will serve as the basis of a June report chapter. It will be further shaped by information from additional interviews and a literature review for your review in April.

We have also included a piece describing Medicare's purchasing authority and contracting reforms that will inform future discussions of Medicare policy options.

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